

# Washington University Global Studies Law Review

---

Volume 16 | Issue 1

---

2017

## Plain Tobacco Packaging's Impact on International Trade and the Family Smoking Prevention and Tobacco Control Act in the U.S. and Drafting Suggestions

Sunil S. Gu

*Washington University School of Law*

Follow this and additional works at: [https://openscholarship.wustl.edu/law\\_globalstudies](https://openscholarship.wustl.edu/law_globalstudies)



Part of the [Commercial Law Commons](#), [Constitutional Law Commons](#), [Consumer Protection Law Commons](#), [First Amendment Commons](#), [Food and Drug Law Commons](#), [Health Law and Policy Commons](#), [Intellectual Property Law Commons](#), [International Law Commons](#), and the [International Trade Law Commons](#)

---

### Recommended Citation

Sunil S. Gu, *Plain Tobacco Packaging's Impact on International Trade and the Family Smoking Prevention and Tobacco Control Act in the U.S. and Drafting Suggestions*, 16 WASH. U. GLOBAL STUD. L. REV. 197 (2017),  
[https://openscholarship.wustl.edu/law\\_globalstudies/vol16/iss1/9](https://openscholarship.wustl.edu/law_globalstudies/vol16/iss1/9)

This Note is brought to you for free and open access by the Law School at Washington University Open Scholarship. It has been accepted for inclusion in Washington University Global Studies Law Review by an authorized administrator of Washington University Open Scholarship. For more information, please contact [digital@wumail.wustl.edu](mailto:digital@wumail.wustl.edu).

# PLAIN TOBACCO PACKAGING'S IMPACT ON INTERNATIONAL TRADE AND THE FAMILY SMOKING PREVENTION AND TOBACCO CONTROL ACT IN THE U.S. AND DRAFTING SUGGESTIONS

## I. INTRODUCTION

Governments across the world have been making enormous efforts to reduce tobacco consumption and its related health costs.<sup>1</sup> After several unsuccessful attempts to that end, such as holding prices up by imposing high tax percentages on tobacco products,<sup>2</sup> there was a dire need for a more comprehensive solution to reduce tobacco consumption. Plain packaging measures are the latest solution suggested.

The introduction of the plain packaging measures has stirred huge controversy and is located at the very core of the intersection between international trade law, intellectual property rights, and public health. Thus, it was not surprising that legislation containing measures of this nature have been challenged by many global companies, especially tobacco manufacturers,<sup>3</sup> and countries,<sup>4</sup> raising various legal issues in light

---

1. See generally Collin N. Smith et al., *Plain Packaging of Cigarettes: Do we have sufficient Evidence?*, 8 J. OF RISK MGMT. AND HEALTHCARE POL'Y 21 (2015) ("An estimated US \$500 billion are lost each year due to health care expenditures, lost productivity, and other financial costs due to smoking.").

2. SIR CYRIL CHANTLER, REPORT OF THE INDEPENDENT REVIEW UNDERTAKEN BY SIR CYRIL CHANTLER, 35 (Apr. 2014), <http://www.kcl.ac.uk/health/10035-tso-2901853-chantler-review-accessible.pdf>.

3. Brian Focarino, *Big Tobacco Heads to Court Over Cigarette Plain Packaging Laws*, IPWATCHDOG (July 19, 2015), <http://www.ipwatchdog.com/2015/07/19/big-tobacco-heads-to-court-over-cigarette-plain-packaging-laws/id=59664/> (last visited Oct. 31, 2015); David Jolly, *Tobacco Giants Sue Britain Over Rules on Plain Packaging*, N.Y. TIMES (May 22, 2015), <http://www.nytimes.com/2015/05/23/business/international/tobacco-plain-packaging-philip-morris-british-american-cigarettes.html>.

4. See generally *Australia—Certain Measures Concerning Trademark and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WORLD TRADE ORGANIZATION, [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds434\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm) (Complaint by Ukraine) (last visited Oct. 31 2015); *Australia—Certain Measures Concerning Trademark and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WORLD TRADE ORGANIZATION, [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds467\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds467_e.htm) (Complaint by Indonesia) (last visited Oct. 31 2015); *Australia—Certain Measures Concerning Trademark and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging*, WORLD TRADE ORGANIZATION, [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds435\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds435_e.htm) (complaint by Honduras) (last visited Oct. 31 2015).

of trademark and international trade law.<sup>5</sup> Australia in 2012 became the first nation to have successfully introduced the Tobacco Plain Packaging Act 2011 (“TPPA”).<sup>6</sup> The list of countries poised to follow that lead is growing: the United Kingdom, Ireland, and France,<sup>7</sup> to name a few.<sup>8</sup> But since its enactment, TPPA has faced constant WTO obligation challenges by many countries and companies.<sup>9</sup>

Since members of WTO and signatories to the Paris Convention have to stay in compliance with the Paris Convention provisions,<sup>10</sup> non-compliance may be challenged before the WTO Dispute Settlement Body, which has happened several times in the past.<sup>11</sup> Given its trade-restrictive effect, the interpretation and the applicability of the TRIPS Agreement are

5. Susy Frankel & Daniel Gervais, *Plain Packaging and the Interpretation of the TRIPS Agreement*, 46 VAND. J. TRANSNAT’L L. 1149 (2013); see also Sam Foster Halabi, *International Trademark Protection and Global Public Health: A Just Compensation Regime for Expropriations and Regulatory Takings*, 61 CATH. U. L. REV. 325, 343–44 (2012) (“[T]rademark holders are increasingly using trademark law not only against private acts of dilution or infringement, but also to thwart public-interest regulations intended to inform consumers about product risks and attributes.”).

6. Sarah A. Hinchliffe, *Comparing Apples and Oranges in Trademark Law: Challenging the International and Constitutional Validity of Plain Packaging of Tobacco Products*, 13 J. MARSHALL REV. INTELL. PROP. L. 130, 131, 150 (2013); see also Mark Davidson & Patrick Emerton, *Rights, Privileges, Legitimate Interests, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco*, 29 AM. U. INT’L L. REV. 505, 506 (2014) (“[B]efore Australia, there was a pioneer. In 1994, Canadian legislators’ attempt to impose a plain packaging regime on cigarettes faced a mounted campaign organized by a group of tobacco manufacturers to convince the government to abandon the law, arguing that it runs afoul of various intellectual-property norms and relevant international agreements.”).

7. Agence France-Presse, *France votes for plain cigarette packaging from 2016*, THE GUARDIAN (Dec. 17, 2015), <http://www.theguardian.com/society/2015/dec/18/france-votes-for-plain-cigarette-packaging-from-2016>.

8. *UK First EU Country to Adopt Plain Packaging for Cigarettes*, EURACTIV (Mar. 17, 2015), <http://www.euractiv.com/sections/health-consumers/uk-first-eu-country-adopt-plain-packaging-cigarettes-312960>; Mark Hillard, *Plain Packaging for Cigarettes Signed Into Law in Ireland*, THE IRISH TIMES (Mar. 10, 2015), <http://www.irishtimes.com/news/health/plain-packaging-for-cigarettes-signed-into-law-in-ireland-1.2134138>; see also Mark Worley, *Plain cigarette packaging likely to snowball globally*, ALJAZEERA (Dec. 18, 2015), <http://www.aljazeera.com/news/2015/12/australia-plain-cigarette-packaging-snowball-globally-151218044928763.html> (“[I]t cause[s] a ‘snowball effect,’ encouraging other nations to implement similar laws...Australia is showing that you can beat Big Tobacco.”); see also Claire Trevett, *Australia Welcomes Plain Cigarette Packaging Win*, NZ HERALD (Dec. 19, 2015), [http://m.nzherald.co.nz/health/news/article.cfm?c\\_id=204&objectid=11563321](http://m.nzherald.co.nz/health/news/article.cfm?c_id=204&objectid=11563321). (“Canberra’s victory over Philip Morris prompted smokefree groups in New Zealand, including the Nurses’ Organisation, to call for New Zealand to push ahead with plain packaging without waiting for the WTO decision.”).

9. *Supra* note 4.

10. Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPS]; see also *supra* note 4.

11. Daniel Gervais, *Analysis of the Compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention*, JAPAN TOBACCO INT’L 1, 8 (2010).

of essence in resolving the disputes.<sup>12</sup> The Australia case is no exception in resorting to WTO Dispute Settlement Body's decision. There is also a possibility of the Appellate Body being called upon to decide this extremely important point, and they too must strike the right balance between intellectual property rights and other considerations.<sup>13</sup>

In the U.S., however, plain-packaging opponents took a rather unique approach. Tobacco manufacturers challenged the Family Smoking Prevention and Tobacco Control Act ("FSPTCA"), the U.S. version of the plain packaging measure, on First Amendment grounds, rather than on trademark law grounds.<sup>14</sup> A circuit split resulted between the Sixth Circuit and the D.C. Circuit and while the U.S. Supreme Court was expected to grant certiorari, the FDA withdrew its proposed rule as "a strategic step to avoid a Supreme Court that aggressively protected corporate speech," informing the Department of Justice that further research is required to strike a balance between the Act and the First Amendment.<sup>15</sup>

In this note, the Australian Plain Packaging legislation and legal challenges it faces will be examined first from the trade-restrictive perspective by interpreting the relevant international agreements. The note will then proceed to assess how U.S. courts dealt with the FCPTCA under the First Amendment, mainly contrasting the Sixth Circuit and the D.C. Circuit decisions. The FSPTCA will also be assessed from an international trade angle with respect to its compatibility with the TRIPS Agreement. Lastly, this note will also suggest how the FDA would effectively cope with potential challenges by tobacco manufacturers if it plans to introduce the new bill.

## II. WHAT IS PLAIN TOBACCO PACKAGING

Trademarks are powerful tools both for owners as well as consumers.<sup>16</sup> With this powerful weapon in hand, the tobacco industry has been using

---

12. *Id.* at 33; see also Daniel Gervais, *Plain Packaging and the TRIPS Agreement: A Response to Professor Davison, Mitchell and Voon*, 23 AUSTL. INTELL. PROP. J. 96, 97 (2013) ("In the rule-based WTO system, interpretation of negotiated texts is extremely relevant and important.").

13. Gervais, *supra* note 12, at 97.

14. Nathan Cortez, *Do Graphic Tobacco Warnings Violate the First Amendment?*, 64 HASTINGS L.J. 1467, 1469 (2013).

15. *Id.* at 1469–70.

16. See Gervais, *supra* note 12, at 98 (2013) ("It reduces transaction costs by letting consumers readily identify and distinguish products and service. It also provides consumers with information of products and service; from the owners' perspective, it helps them to establish goodwill to which consumers associated with their product or service thereby providing them assurance of quality and consistency of the product or service.").

the packaging of its products as a major vehicle for advertising and communicating with potential and current smokers by making their products appear “safe to use, undermining the credibility and effectiveness of health warnings.”<sup>17</sup> Particularly, fancy logos and designs on display have played a pivotal role in appealing to target groups as a “silent salesman.”<sup>18</sup>

In response, various international guidelines and directives recommended the adoption of plain packaging measures.<sup>19</sup> The ultimate goal of plain packaging is to advance public health by reducing tobacco consumption through the standardization of the appearance of its packaging under the assumption that the standardized packing should be less appealing to customers.<sup>20</sup> And governments are trying to justify such legislation based on their strong interest in the advancement of public health under Article 8 of the TRIPS Agreement.<sup>21</sup>

17. WORLD HEALTH ORGANIZATION, EVIDENCE BRIEF PLAIN PACKAGING OF TOBACCO PRODUCTS: MEASURES TO DECREASE SMOKING INITIATION AND INCREASE CESSATION 1, [http://www.euro.who.int/\\_\\_data/assets/pdf\\_file/0011/268796/Plain-packaging-of-tobacco-products,-Evidence-Brief-Eng.pdf?ua=1](http://www.euro.who.int/__data/assets/pdf_file/0011/268796/Plain-packaging-of-tobacco-products,-Evidence-Brief-Eng.pdf?ua=1). Packaging provides a “direct link between the tobacco manufacturers and consumers.” Smith et al., *supra* note 1, at 22.

18. CHANTLER, *supra* note 2, at 3; *see also* Simon Daley, *Australia’s Response to the Notice of Arbitration*, 1, 4 (2011), <https://www.ag.gov.au/Internationalrelations/InternationalLaw/Documents/Australias%20Response%20to%20the%20Notice%20of%20Arbitration%2021%20December%202011.pdf> (“The evidence based on a broad range of studies and reports demonstrate that use of logos, symbols, designs, colors effectively attracts more consumers and it is particularly effective on young people, the age group most likely to take up smoking in the future as a result of such marketing gimmick.”); *see also* Smith et al., *supra* note 1, at 23 (“90% of all adults who smoke cigarettes begin smoking before 18 years of age.”); *see also* CHANTLER, *supra* note 2, at 3. (Describing how in countries where there are comprehensive bans in effect on advertising and promotion tobacco product such as Australia and the UK, tobacco packages’ role as a “mobile billboard” has been deemed even more critical.); *but see* CHANTLER *supra* note 2, at 3. Although the tobacco industry argues that the main purpose of its marketing activity is mainly to induce adult smokers to switch brand and minors were never specifically targeted, it is far-fetched. Such purported separation is not feasible and if anything, a “spillover effect” is highly plausible and thus young people are easily exposed to or attracted to its marketing activity, including packaging.

19. WORLD HEALTH ORGANIZATION, *supra* note 17, at 1; *see also* WHO Framework Convention on Tobacco Control, art. 11 (2005). For instance, article 11 of the WHO’s Framework Convention for Tobacco Control (“FCTC”) concerning packaging and labeling of tobacco products recommends to have tobacco packaging to bear pictorial warnings conveying the severe health risk caused by smoking and prohibit the use of false or misleading descriptions, including “low tar,” “light,” “ultra-light,” or “mild.”

20. Hinchliffe, *supra* note 6, at 134.

21. TRIPS, *supra* note 10, art. 8; *see also* Hinchliffe, *supra* note 6, at 131, 137, 138 (The government’s public interest does not align with private interest of trademark holders. “[T]he object of trademark protection presents a dichotomy between property rights and other external values such as free speech, competition, and public health.”).

### III. THE AUSTRALIAN PLAIN PACKAGING LEGISLATION

In 2012, Australia became the first nation in the world to have introduced the plain packaging measure, the TPPA,<sup>22</sup> as part of its comprehensive government strategy<sup>23</sup> to reduce smoking rates in Australia.<sup>24</sup> The TPPA imposes various and significant restrictions on the color of tobacco retail packaging.<sup>25</sup> Consequently, it essentially removes almost all trademarks, thereby making all the cigarette packages appear more or less the same.<sup>26</sup> For example, brand names in a small font size must not contain any color but must be in a uniform font on a dull, olive-brown background, “with large, graphic images of gangrenous limbs and diseased internal organs.”<sup>27</sup> Non-compliance of this law will result in prohibition of the retail sale from December 1, 2012.<sup>28</sup>

Although the TPPA was eventually upheld by the High Court of Australia,<sup>29</sup> reasoning that “there had been no acquisition of the plaintiff’s

22. *Id.* at 131, 150.

23. *See generally* INTERGOVERNMENTAL COMMITTEE ON DRUGS, NATIONAL TOBACCO STRATEGY 2012-2018, [http://www.nationaldrugstrategy.gov.au/internet/drugstrategy/publishing.nsf/content/D4E3727950BDBAE4CA257AE70003730C/\\$File/National%20Tobacco%20Strategy%202012-2018.pdf](http://www.nationaldrugstrategy.gov.au/internet/drugstrategy/publishing.nsf/content/D4E3727950BDBAE4CA257AE70003730C/$File/National%20Tobacco%20Strategy%202012-2018.pdf) (last visited Nov. 10, 2016) (“The Australian Government, in addition to TPPA, also released The National Tobacco Strategy 2012–2018 in January 2013. The nine priority areas are highlighted and it includes: (1) Protect public health policy, including tobacco control policies, from tobacco industry interference, (2) Strengthen mass media campaigns to: motivate smokers to quit and recent quitters to remain non-smokers; discourage uptake of smoking; and reshape social norms about smoking, (3) Continue to reduce the affordability of tobacco products, (4) Bolster and build on existing programs and partnerships to reduce smoking rates among Aboriginal and Torres Strait Islander people, (5) Strengthen efforts to reduce smoking among people in populations with a high prevalence of smoking, (6) Eliminate remaining advertising, promotion and sponsorship of tobacco products, (7) Consider further regulation of the contents, product disclosure and supply of tobacco products and alternative nicotine delivery systems, (8) Reduce exceptions to smoke-free workplaces, public places and other settings, (9) Provide greater access to a range of evidence-based cessation services and support to help smokers to quit.”).

24. Tobacco Plain Packaging—Investor-state arbitration, Australian Government Attorney-General’s Department, [https://www.ag.gov.au/Internationalrelations/InternationalLaw/Pages/Tobaccoplainpackaging.aspx#\\_top](https://www.ag.gov.au/Internationalrelations/InternationalLaw/Pages/Tobaccoplainpackaging.aspx#_top) (last visited Nov. 10, 2016).

25. Hinchliffe, *supra* note 6, at 152.

26. Frankel & Gervais, *supra* note 5, at 1159; *see generally Tobacco Plain Packaging Act 2011* (Cth) s20(2) (Austl.). The restrictions include the prohibition of the display on tobacco products and their packaging of all tobacco company logos, symbols, and other images. In addition, it requires packaging be in a particular shade of drab dark brown, chosen through consumer research as the optimal color for achieving the objective of the plain packaging measures.

27. Hinchliffe, *supra* note 6, at 131, 134; *see also Tobacco Plain Packaging Act 2011* (Cth) s20(2) (Austl.). It also provides that such restrictions necessarily include “a prohibition of non-word trademark.” Davidson & Emerton, *supra* note 6, at 508.

28. Daley, *supra* note 18, at 8.

29. There were two challenges to the Australian plain packaging legislation in April 2012: *British American Tobacco Australasia Limited and Ors v. Commonwealth of Australia* and *JT International SA v. Commonwealth of Australia*. Australian Government Attorney-General’s

property within the meaning of s 51(xxxi) of the Constitution,”<sup>30</sup> it appears that the Australian Government had been aware of the possibility of incompatibility between the TPPA and the current trademark protection regime. Knowing about this potential conflict, Australia thus had to amend Australian trademark law.<sup>31</sup> For instance, the TPPA “directs the Registrar of the Trade Marks not to reject, revoke, refuse to register, or remove from the register a trademark that is not used because of the restriction on use contained in the legislation.”<sup>32</sup> It was a laudable effort to separate the use of trademark and its registration, thereby making an exception to trademark law for the successful implementation of the TPPA. However, the plain-packaging measure inevitably “affects registration by making it possible to strike a mark from the register for non-use.”<sup>33</sup> And if affected, it is in violation of the spirit of the Paris Convention, which is “to allow the use of marks not just to allow them to be registered and sit unused on the register.”<sup>34</sup>

In addition, notwithstanding the domestic success, an issue of violation of international obligations still remains.<sup>35</sup> Ukraine, Honduras, Indonesia, the Dominican Republic, and Cuba are arguing that the measure in question is inconsistent with Australia’s WTO obligation under the TRIPS, and to date, more than 40 countries have joined the dispute as third parties.<sup>36</sup> Recently, Australia has won its battle against Philip Morris Asia, but only on procedural grounds, as the tobacco giant failed in its challenge under a bilateral trade agreement with Hong Kong.<sup>37</sup> The arbitral tribunal has unanimously declined to hear the case due to its lack of jurisdiction.<sup>38</sup>

---

Department, *Tobacco Plain Packaging—Investor-state arbitration*, [https://www.ag.gov.au/Internationalrelations/InternationalLaw/Pages/Tobaccoplainpackaging.aspx#\\_top](https://www.ag.gov.au/Internationalrelations/InternationalLaw/Pages/Tobaccoplainpackaging.aspx#_top).

30. *JT International SA v. Commonwealth of Australia* 250 CLR 1, 1 (Austl. 2012), <http://eresources.hcourt.gov.au/downloadPdf/2012/HCA/43>.

31. Gervais, *supra* note 12.

32. *Id.* at 101.

33. *Id.*

34. *Id.* at 102.

35. Hinchliffe, *supra* note 6, at 131. Companies including Philip Morris, British American Tobacco BATS.L, Japan Tobacco International 2914.T and Imperial Tobacco Group IMT.L sued the British Government early December, 2015 to challenge its plain packaging legislation, which will take effect next May. Matt Siegel, *Australia Wins Court Challenge to Tobacco Plain Packaging*, REUTERS (Dec 18, 2015), <http://www.reuters.com/article/australia-tobacco-packaging-idUSL1N1470N520151218>.

36. Australian Government Attorney-General’s Department, *Tobacco Plain Packaging—Investor-state arbitration*, [https://www.ag.gov.au/Internationalrelations/InternationalLaw/Pages/Tobaccoplainpackaging.aspx#\\_top](https://www.ag.gov.au/Internationalrelations/InternationalLaw/Pages/Tobaccoplainpackaging.aspx#_top).

37. Daniel Hurst, *Australia wins international legal battle with Philip Morris over plain packaging*, THE GUARDIAN (Dec. 17, 2015), <http://www.theguardian.com/australia-news/2015/dec/18/australia-wins-international-legal-battle-with-philip-morris-over-plain-packaging>.

38. *Id.*; see generally *Philip Morris Asia Limited (Hong Kong) v. The Commonwealth of Australia*, 2 (Perm. Ct. Arb. 2012). The official document containing the decision has not been made

### A. Criticism—Illicit Tobacco Market

In addition to legal challenges, the tobacco industry has been spreading rumors that the TPPA would rather backfire, causing an unexpected consequence: the birth of an illicit tobacco market.<sup>39</sup> The 2014 KPMG report supports that the decrease in the consumption of legal cigarettes has been counterbalanced by an increase in consumption of illegal cigarettes.<sup>40</sup> Moreover, the Australian media indicated that as counterfeiters gradually find standardized packaging far easier to imitate, a sign of increased counterfeiting has been detected recently.<sup>41</sup>

However, there is evidence to the contrary. A national survey demonstrated that there is no “increased use of two categories of manufactured cigarettes likely to be contraband, no increase in purchase from informal sellers and no increased use of unbranded illicit ‘chop-chop’ tobacco.”<sup>42</sup> Furthermore, plain packaging does not necessarily mean a simpler, easy-to-imitate design of tobacco packaging, while it is significantly less appealing than before the TPPA was passed. The existence of cutting-edge yet widely available printing technology has been a great means for counterfeiters to produce spitting images of packaging of the top brands without difficulty.<sup>43</sup> Thus, more complex packaging with advanced technology would not necessarily help prevent counterfeiting that much.<sup>44</sup> Rather, in light of the purpose of plain packaging, warnings concerning counterfeiting products or technology that help people identify knockoffs should be more effective not only in informing the public

---

public as of this writing (January 3, 2016). The Court stated on its website that it would make it public once any potentially confidential material therein had been redacted. <http://www.pcacases.com/web/view/5>.

39. Since standardized packaging effectively stops functioning of trademark that helps consumers identify and distinguish products, manufacturing counterfeit packaging should become easier and cheaper, which may result in an increased possibility of consumers being duped by counterfeit and illegal tobacco products. CHANTLER, *supra* note 2, at 32–33.

40. KPMG, *Illicit tobacco in Australia*, 1, 31 (2015), [http://www.pmi.com/eng/media\\_center/media\\_kit/Documents/KPMG%20Report%20FY%202014%20%20Illicit%20tobacco%20in%20Australia.pdf](http://www.pmi.com/eng/media_center/media_kit/Documents/KPMG%20Report%20FY%202014%20%20Illicit%20tobacco%20in%20Australia.pdf).

41. Brief of Vaidhav Vutts, International Trademark Association at 19–20 as Amici Curiae Supporting Complaints, DS434, DS435, DS441, DS458, DS467 of Australia—Measures Concerning Trademarks and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging (2015), <http://www.inta.org/Advocacy/Documents/2015/INTAWTOPlainPackagingAmicusBriefApril2015.pdf>.

42. Michelle Scollo et al., *Use of Illicit Tobacco Following Introduction of Standardised Packaging of Tobacco Products in Australia: Results from a National Cross-sectional Survey*, 24 Tobacco Control, ii76 (2015), [http://tobaccocontrol.bmj.com/content/24/Suppl\\_2/ii76.full](http://tobaccocontrol.bmj.com/content/24/Suppl_2/ii76.full); see also Smith, *supra* note 1, at 26 (“there is no observable increase in use of illicit or counterfeit tobacco”).

43. CHANTLER, *supra* note 2, at 34.

44. *Id.* at 32–34.



regarding even more hazardous impact of smoking counterfeit tobacco, but also in further reducing the appeal of tobacco packaging eventually.

#### IV. PLAIN PACKAGING AND OBLIGATIONS UNDER INTERNATIONAL TREATIES

The TRIPS agreement<sup>45</sup> is the principal international instrument applying to trademark,<sup>46</sup> and the spirit of the Paris Convention ensconced in the TRIPS is to allow trademark use.<sup>47</sup> Considering that it is undisputed that tobacco packaging constitutes trademark under the definition, the issue here is whether plain packaging laws that restrict the use of such trademarks violate the TRIPS Agreement's trademark provisions.<sup>48</sup>

##### A. *The Rules of Treaty Interpretation: the Vienna Convention on the Law of Treaties ("VCLT")*

To properly interpret a treaty, it is important to begin the analytical framework with the central rule of interpretation. Article 31 of the Vienna Convention on the Law of Treaties provides that "[a] treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose."<sup>49</sup>

The term "good faith" is objective;<sup>50</sup> and it only requires that the interpretation should not reach a manifestly absurd or unreasonable

45. Under the TRIPS Article 15,1:

any sign, or any combination of signs, capable of distinguishing the goods or services of one undertaking from those of other undertakings, shall be capable of constituting a trademark. Such signs, in particular words including personal names, letters, numerals, figurative elements and combinations of colors as well as any combination of such signs, shall be eligible for registration as trademarks.

TRIPS, *supra* note 10, art. 15.

46. Gervais, *supra* note 11, at 8.

47. *Id.* at 99. Pursuant to TRIPS Article 2.1, members of the WTO and signatories to the Paris Convention are obliged to comply with the Paris Convention provisions incorporated into the TRIPS Agreement. See generally TRIPS, *supra* note 10, art. 2; Hinchliffe, *supra* note 6, at 142; Halabi, *supra* note 5, at 342 ("[T]he Office of the U.S. Trade Representative monitors trade barriers to U.S. companies through other countries' intellectual-property laws and uses TRIPS as an important, but not exclusive benchmark.").

48. Frankel & Gervais, *supra* note 5, at 1156.

49. Vienna Convention on the Law of Treaties arts. 31, May 23, 1969, 1115 U.N.T.S. 331 (entered into force Jan. 27, 1980). "Articles 31 and 32 are recognized as the customary international law of interpretation of treaties." Frankel & Gervais, *supra* note 5, at 1153; Vienna Convention on the Law of Treaties art. 31, May 23, 1969, 1115 U.N.T.S. 331 (entered into force Jan. 27, 1980).

50. IAN SINCLAIR, THE VIENNA CONVENTION ON THE LAW OF TREATIES, 120 (2d ed. 1984).

result.<sup>51</sup> In addition, provisions should be interpreted in light of treaties' object and purpose. Applied, therefore, the interpretation of the relevant trademark provisions of the TRIPS Agreement should take into account the object and purpose of the Agreement.<sup>52</sup> Furthermore, in discerning the object and purpose of treaties, the WTO explains that words should be accorded their ordinary meaning and by doing so it should take a holistic approach.<sup>53</sup>

### *B. The Nature of Trademark Owners' Rights in the TRIPS Agreement*

TRIPS Article 16, regarding the rights of a trademark owner,<sup>54</sup> is understood to confer the right of exclusion pertaining to registered and well-known trademarks in the course of trade.<sup>55</sup> The WTO panel held that "[e]very trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function."<sup>56</sup>

WTO Members—that is, governments—read it differently, however: its ability to prohibit the use of a trademark is justified by Article 16 because trademark law only grants an owner negative rights to prevent others from using it, not a right to use.<sup>57</sup> Furthermore, relying on Article 8, which allows signatories to “adopt measures necessary to protect public health and nutrition,”<sup>58</sup> governments argue that the enactment of such measures are necessary for that purpose, since plain packaging measures advance public health through the reduction of tobacco consumption.<sup>59</sup>

51. *Id.*

52. Frankel & Gervais, *supra* note 5, at 1167.

53. *Id.* at 1169–70 (citing Appellate Body Report, *United States-Continued Existence and Application of Zeroing Methodology*, ¶ 269, WT/DS350/AB/R (Feb. 4, 2009)).

54. “The owner of a registered trademark shall have the exclusive to prevent all third parties not having the owner’s consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion,” TRIPS, *supra* note 10, art. 16.

55. Davidson & Emerton, *supra* note 6, at 552.

56. *Id.* at 562.

57. Gervais, *supra* note 11, at 9; *see also* Valentina S. Vade, *Global Health Governance at a Crossroads: Trademark Protection v. Tobacco Control in International Investment Law*, 48 STAN. J. INT’L L. 93, 122 (2012) (“[T]rademarks do not offer their owners positive rights to actually use the sign, but just a *jus excludendi alios*, that is, a negative right to prevent third parties from using the asset in question. With regard to plain packaging, some authors have suggested that this form of packaging does not infringe trademarks “as no positive right to use trade marks is offered by TRIPS to trade mark holders.”).

58. TRIPS, *supra* note 10, art. 8.

59. *See* Family Smoking Prevention and Tobacco Control Act, Pub. L. No. 111-31, § 3(2), 123 Stat. 1776 (2009) (The stated purpose of the Family Smoking Prevention and Tobacco Control Act in the U.S was to “address issues of particular concern to public health officials, including the use of

This argument, however, would be valid *only* to the extent that “such measures are consistent with the provisions of [the TRIPS] Agreement.”<sup>60</sup> Even assuming that it is consistent with the other TRIPS provisions, the argument that it is only a negative right merely because there is no provision explicitly granting a right makes little sense, considering the purpose of the Agreement, the context, and the VCLT.<sup>61</sup> That is, again, the spirit of the Paris Convention incorporated into the Agreement is to allow trademark use.<sup>62</sup> The purpose of the Agreement was to “encourage the orderly use of trademarks in commerce,” and thus understanding it as not granting a right to use would be at odds with that purpose.<sup>63</sup> Moreover, with respect to the public health justification, that argument also would be of little force if a measure in question only hampers free flow of global transactions, given that the main underpinning of the WTO system was to encourage international trade.<sup>64</sup>

### C. The TRIPS Agreement 15.4

Article 15.4 articulates that “[t]he nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark.”<sup>65</sup> It means that rejecting the registration of a trademark merely because of a mark being used on tobacco products would run afoul of Article 15.4.<sup>66</sup>

---

tobacco by young people and dependence on tobacco.”); *see also TPPA Act 2011* s 3(2) (Austl.) (Where Parliament sought to achieve the following objectives: “by regulating the retail packaging and appearance of tobacco products in order to: a. reduce the appeal of tobacco products to consumers; and increase the effectiveness of health warnings on the retail packaging of tobacco products; and reduce the ability of the retail packaging of tobacco products to mislead consumers about the harmful effects of smoking or using tobacco products.”).

60. TRIPS, *supra* note 10, art. 8.

61. Reading in a way that is inconsistent with the purpose proffered would result in violation of the VCLT by “[isolating] from context and object and purpose.” Also, “[i]nterpretation of ordinary meaning under the VCLT does not allow reading in words where they do not exist, but it does require interpretation in light of the context and object and purpose of the treaty.” Frankel & Gervais, *supra* note 5, at 1181, 1183.

62. Gervais, *supra* note 12, at 99. Article 6, that was later incorporated into the TRIPS agreement, was adopted based on a proposed Association Internationale pour la Protection de la Propriété Intellectuelle (AIPPI) text and AIPPI had suggested this proposal to Article 7, although it was incorporated eventually. Gervais, *supra* note 11, at 21 (“The *exclusive right of the owner of right holder to use a mark* thus registered or renewed cannot be prohibited or limited when the sale to which it applies is legal.”).

63. Frankel & Gervais, *supra* note 5, at 1181 (emphasis added).

64. *Id.*

65. TRIPS, *supra* note 10, art. 15.4.

66. Gervais, *supra* note 11, at 9.

But some plain packaging proponents argue that a plain packaging measure is not in violation of Article 15.4 because it only restricts a specific form of use, not registration of the trademark.<sup>67</sup> However, that attempt to separate registration from use of trademark should fail. Although trademark owners technically can register their marks not in use, the “use of marks in commerce is the basis for trademark laws,” and the significance of use in the trademark context becomes even more obvious if compared to patents and copyrights, rights granted regardless of any use of its subject matters.<sup>68</sup> Article 19.1 adds that measures that may bar use of the trademark would be of “a temporary nature,” meaning “registration is maintained *because* use will start or resume at some point in the future.”<sup>69</sup> Therefore, it is evident that the actual use of marks is at the heart of trademark law, despite the lack of explicit language stating so.

*D. The Interpretation of Article 8 of the TRIPS Agreement: TRIPS Principles and Public Health*

Article 8 provides WTO Members with a way to “adopt measures *necessary* to protect public health,” if those “measures are *consistent* with the provision” of the Agreement.<sup>70</sup> In other words, Article 8 basically “allow[s] a WTO Member [to] ‘override’ incompatibility with another provision” of the Agreement.<sup>71</sup> In determining whether a Member can do so, however, it needs to answer to these separate questions adequately: “[I]s the measure necessary to protect public health?” If so, “is the measure consistent with the provisions of this Agreement?” And if inconsistent, were there reasonable alternative means?<sup>72</sup>

Whether the advancement of public health through the reduction of tobacco consumption is a legitimate object was already considered by the GATT.<sup>73</sup> A dispute-settlement panel in *Thailand-Restrictions on Importation of and Internal Taxes on Cigarettes* accepted that tobacco consumption reduction is a legitimate public health interest, and it further articulated the test to determine “necessity.”<sup>74</sup> Under that test, to justify the

---

67. Frankel & Gervais, *supra* note 5, at 1179.

68. *Id.* at 1180–81.

69. *Id.* at 1180.

70. TRIPS, *supra* note 10, art. 8.

71. Gervais, *supra* note 11, at 17.

72. *Id.* at 17, 26.

73. It is “the main trade agreement administered by the WTO.” *Id.* at 24.

74. Panel Report, *Thailand-Restrictions on Importation of and Internal Taxes on Cigarettes*, ¶ 73, WTO Doc. WT/DS10/R-37S/200 (adopted Nov. 7 1990.).

necessity of the measure adopted, a contracting party must prove that there was no “alternative measure, which it could reasonably be expected to employ and which is not inconsistent with other GATT provisions.”<sup>75</sup>

### *E. The Interpretation of Article 20 of the TRIPS Agreement*

In determining whether plain package measures would violate the TRIPS Agreement, the interpretation of Article 20 is key. Article 20 states that the use of a trademark in the course of trade shall not be “unjustifiably encumbered” by special requirements, such as use in a special form, or use in a manner detrimental to its capability to distinguish the goods or services.<sup>76</sup> In interpreting it, Article 20 can be dissected to three parts: (1) whether the measure is a special treatment; (2) whether it encumbers the use of a trademark; and if so, (3) whether or not it is justified.<sup>77</sup> Examining each part would shed some light on whether plain packaging measures would amount to an unjustified encumbrance under Article 20.

#### *1. “Special Requirement”*

In light of the interpretation in *Indonesia-Automobiles*, the term “required” indicates that “something imposed by law or regulation is ‘required.’”<sup>78</sup> In addition, the WTO dispute-settlement panel interprets “special” as “having an individual or limited application or purpose” or “containing details; precise, specific.”<sup>79</sup> Applying it, plain packaging measures would likely to be within the scope of the above definition. It is applicable only to tobacco products, mandating specific requirements, such as the color requirement and the size of the fonts.<sup>80</sup> “It would have only ‘limited application or purpose,’” to reduce the consumption of tobacco products, “containing details; precise, specific,” such as the above-mentioned restrictions on color and fonts.<sup>81</sup>

---

75. *Id.* ¶ 74; see also Appellate Body Report, Brazil—Measures Affecting Imports of Retreaded Tyres, ¶ 151, WTO Doc. WT/DS332/AB/R (adopted Dec. 3, 2007) (Where the Appellate Body opined that the determination rests on “quantitative projections in the future, or qualitative reasoning based on a set of hypotheses that are tested and supported by sufficient evidence).

76. TRIPS, *supra* note 10, art. 20.

77. Gervais, *supra* note 11, at 12.

78. *Id.* (citing Panel Report, *Indonesia-Certain Measures Affecting the Automobile Industry*, ¶ 14.278, WTO Doc. WT/DS54/R (adopted July 2 1998)).

79. *Id.* (citing Panel Report, *United States—Section 110(5) of the US Copyright Act*, ¶ 6.109, WTO Doc. WT/DS160/R (adopted June 15 2000)).

80. *Id.* at 13, 3.

81. *Id.* at 13.

## 2. "Encumber"

The plain meaning of "encumber" is to "restrict or burden in such a way that free action or movement is difficult."<sup>82</sup> In light of this definition and the nature of the trademark holders' rights, a measure that would impede the mark's ability to distinguish goods would unquestionably "encumber" the rights of trademark owners.<sup>83</sup> Plain packaging measures often mandate to bear specific messages or to include graphic warnings rather than tobacco companies' own logos, making the tobacco packaging indistinguishable and less appealing. With such mandated similar appearances of the packaging, the ability of a trademark as a source identifier would be impaired, and, accordingly, it would likely be considered as an encumbrance to a trademark holder's right.

## 3. "Unjustifiability"

This third element denotes that legitimate interests of government, in addition to trademark owners, should be acknowledged, and that it is important for the purpose of defining the relationship between the two.<sup>84</sup> The question is whether the measure adopted can be justified for the sake of public health as "an exception, namely the justification 'out'" despite potential effects on the function of trademark.<sup>85</sup>

Despite the measure's negative impact on the function of trademark, such an encumbrance may be justified as long as the impact of the measure materially contributes to the stated legitimate objective, here, to promote public health.<sup>86</sup> Additionally, according to the interpretation of Article 8 requiring that a measure in question should be close to indispensable in achieving the stated object,<sup>87</sup> it would be frowned upon if there were less restrictive alternatives.

82. *Encumber*, OXFORD ENGLISH DICTIONARY, [http://www.oxforddictionaries.com/us/definition/american\\_english/encumber](http://www.oxforddictionaries.com/us/definition/american_english/encumber) (last visited Oct. 30, 2015).

83. Gervais, *supra* note 11, at 14; even though Article 20 does not define the term, "encumber," the degree of encumbrance is irrelevant as long as a measure in question impedes a trademark to fulfill its function in light of the purpose of Article 20. *See generally* Gervais, *supra* note 12, at 103; *see also* Andrew Mitchell, *Australia's Move to the Plain Packaging of Cigarettes and its WTO Compatibility*, 5 ASIAN J. WTO INT'L HEALTH L. & POL'Y, 401, 412 (2010).

84. Davidson & Emerton, *supra* note 6, at 566–67.

85. Gervais, *supra* note 12, at 105.

86. Frankel & Gervais, *supra* note 5, at 1206.

87. Appellate Body Report, *Korea-Measures Affecting Imports of Fresh, Chilled and Frozen Beef*, ¶ 161, WT/DS161/AB/R, WT/DS169/AB/R (Dec. 11, 2000).

However, in order for governments to justify, it should be noted that the governmental interest of advancing public health is not the master key. In *Clove Cigarettes* where the U.S. banned clove cigarettes for the purpose of public health advancement,<sup>88</sup> the WTO Appellate Body found that members were free to adopt legitimate public health regulations; but it had to be done “consistently with the TBT Agreement.”<sup>89</sup> Hence, here, if a plain packaging measure “prima facie violates a TRIPS obligation,” a duty to justify the measure may nevertheless be imposed by “trade rules enshrined in WTO agreements,” notwithstanding its legitimate interest in public health.<sup>90</sup> If it is evitable for governments to violate TRIPS’ trademark provisions because of plain tobacco measures’ inherent restrictive nature with respect to international trade and trademark, then it needs to proffer a further justification in addition to public health to stay in compliance with its WTO obligations.

#### V. FIRST AMENDMENT ISSUE IN THE FAMILY SMOKING PREVENTION AND TOBACCO CONTROL ACT IN THE U.S

##### A. *The Family Smoking Prevention and Tobacco Control Act*

In 2009, the FSPTCA was enacted to provide the authority to the FDA to regulate the manufacture and sale of tobacco products.<sup>91</sup> With that authority, the FDA may “issue regulations that require color graphics depicting the negative health consequences of smoking to accompany the label statements.”<sup>92</sup> By doing so, Congress expected to “address issues of particular concern to public health officials, including the use of tobacco by young people and dependence on tobacco,” and “promote cessation [of tobacco use] to reduce disease risk and the social costs associated with tobacco-related diseases.”<sup>93</sup>

---

88. See generally Gervais, *supra* note 12, at 104 (this case was the first involving cigarettes, particularly in the context of a public health regulation.); United States—Measures Affecting the Production and Sale of Clove Cigarettes, ¶82, WT/DS406/ABR (Apr. 4, 2012).

89. Gervais, *supra* note 12, at 104.

90. *Id.*

91. *Disc. Tobacco City & Lottery, Inc. v. United States*, 674 F.3d 509, 520 (2012).

92. Family Smoking Prevention and Tobacco Control Act, Pub. L. No. 111-31, §201, 123 Stat. 1776 (2009); see generally, 15 U.S.C. § 1333(a)(1) (The FSPTAC, among other provisions, mandates that the cigarette packages and advertisements to bear one of nine graphic warning statements listed and that the warning label comprise the top fifty percent of cigarette packages and twenty percent of the area of each cigarette advertisement).

93. Family Smoking Prevention and Tobacco Control Act, Pub. L. No. 11-31, 1 § 3(2), (9), 23 Stat. 1776.

There was a huge backlash from tobacco industries in response, alleging that the challenged provisions of the FSPTCA violated their free speech rights under the First Amendment.<sup>94</sup> They further argued that the whole purpose of the FSPTCA was to disrupt their business selling a legal product by disgusting consumers with revolting graphic images.<sup>95</sup>

*B. Circuit Split?: R.J. Reynolds Tobacco Co. and Discount Tobacco City & Lottery, Inc.*

In 2012, the Sixth Circuit and D.C. Circuit published seemingly disparate opinions on the constitutionality of the FSPTCA.<sup>96</sup> Only five months after the Sixth Circuit upheld the measure in *Discount Tobacco City & Lottery*, the D.C. Circuit struck them down.<sup>97</sup> The outcomes were different; the standard of review applied differed as well. The Sixth Circuit, applying the *Zauderer* rational basis standard, found the mandate as reasonably related to the government's interest in preventing consumer deception and were therefore constitutional;<sup>98</sup> but in the D.C. Circuit, it was held as unconstitutional under the *Central Hudson* intermediate scrutiny standard, refusing to apply neither the *Zauderer* rational basis standard nor the *Wooley*<sup>99</sup> strict scrutiny standard, since it is commercial speech.<sup>100</sup>

In *Reynolds* in the D.C. Circuit, where the court held in favor of the tobacco industry, the court explained that the government must meet *Central Hudson*'s intermediate scrutiny: (1) the mandate in question must serve a substantial state interest, (2) the mandate must directly serve that state interest, (3) and means are narrowly tailored to achieve that substantial government goal.<sup>101</sup> But the court found that "FDA [did] not provide a shred of evidence" showing that the means chosen "directly advance" its asserted interest.<sup>102</sup> The court further asserted that deference

---

94. *R.J. Reynolds Tobacco Co. v. FDA*, 696 F.3d 1205, 1205 (2012); *Disc. Tobacco City & Lottery, Inc.*, 674 F.3d at 509.

95. Bryan M. Haynes, Anne Hampton Andrews & C. Read Jacob, Jr., *Compelled Commercial Speech: The Food and Drug Administration's Effort to Smoke Out the Tobacco Industry Through Graphic Warning Labels*, 68 *FOOD & DRUG L.J.* 329, 329 (2013).

96. Cortez, *supra* note 14, at 1478.

97. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1222.

98. *Disc. Tobacco City*, 674 F.3d at 569.

99. *Wooley v. Maynard*, 430 U.S. 705 (1977).

100. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1216.

101. *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of N.Y.*, 447 U.S. 557, 566 (1980).

102. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1219.



to Congress's judgment regarding the efficacy of the graphic warning was not appropriate because of the lack of evidence.<sup>103</sup>

But even assuming that the government manages to pass the first two tests, it should be an uphill battle for them to overcome the third hurdle. This is because forcing the normative speech that shocks consumers are allowed only "where *bare* factual information fails to adequately serve the substantial state interests at stake."<sup>104</sup> The court pointed out, calling the means in question "unabashed attempts" and "browbeat"<sup>105</sup> that the purpose in mandating the labels is to "evoke an emotional response, or, at most, shock the viewer into retaining the information in the text warning."<sup>106</sup> Therefore, the FDA even had to concede, albeit tacitly, that "the graphic warnings are not 'purely' factual."<sup>107</sup> This type of compelled speech that is intentionally appealing to the audience's emotions, rather than conveying factual information, cannot "be justified based on the audience's informational interests."<sup>108</sup>

On the other hand, in *Discount Tobacco*, the majority found evidence proffered as "factual information,"<sup>109</sup> and applied the *Zauderer* rational basis test.<sup>110</sup> Moreover, the court ruled that it is never opinion but fact that smoking presents serious health risks.<sup>111</sup> In addition, from the court's view, the plaintiffs submitted little evidence to corroborate that the content of the required warnings are in dispute within the scientific or medical community.<sup>112</sup>

---

103. *Id.* at 1221.

104. Jennifer M. Keighley, *Can You Handle the Truth? Compelled Commercial Speech and the First Amendment*, 15 U. PA. J. CONST. L. 539, 588 (2012).

105. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1217.

106. *Id.* at 1216.

107. *Id.*

108. Keighley, *supra* note 104, at 579–80 (Explaining that speakers have a constitutionally protected right under which they are not compelled to convey the government's normative message and shock and disgust consumers about the danger of a particular product, although "speakers have minimal autonomy interests in not disclosing factual information about their products").

109. *Disc. Tobacco City & Lottery, Inc. v. United States*, 674 F.3d 509, 558 (2012).

110. *Id.* at 527; *see generally* Cortez, *supra* note 14, at 1481. Although *Zauderer* is almost thirty years old, in 2010 the court in *Milavetz, Gallop & Milavetz, P.A.* reaffirmed its basic principles for reasons that parallel the tobacco case: the disclosure counters misleading claims, the disclosure is factually accurate, and the disclosure does not prevent the marketer from communicating its own additional information.

111. "The health risks of smoking tobacco have been uncovered through scientific study. They are facts." *Disc. Tobacco City & Lottery*, 674 F.3d at 561 (Stranch, J., concurring in part, dissenting in part).

112. *See also Id.* at 524, 526, 531 (the court also concluded that the plaintiffs had failed to show that color graphics were per se unable to convey factual information about the serious consequences of smoking).

But it is noteworthy that between the two decisions, the FDA introduced the actual graphic warnings, and thus only the D.C. Circuit had an opportunity to address them.<sup>113</sup> And it struck them down.<sup>114</sup> On the other hand, the Sixth Circuit, without reviewing the actual images, reviewed the statute's requirement alone, treating plaintiff's challenge as a facial challenge.<sup>115</sup> Based on this difference, the government asserted that no circuit split occurred here.<sup>116</sup>

### *C. Suggestions for the Next Round of Graphic Warnings Rulemaking and Litigation*

#### *1. Compliance with the TRIPS Agreement*

To comply with the TRIPS Agreement, Article 15.4 in particular, the government should not prevent the registration of a trademark based on the nature of the goods or service.<sup>117</sup> Under the spirit of the Paris Convention, the trademark owners' rights include not only registering their marks but also being idle without getting struck out from the registration for non-use.<sup>118</sup> The significance of the use of a mark in commerce is well-established as explained above, and there is no doubt that it has been playing a critical role in registration, renewal, and acquiring common law rights.<sup>119</sup> It thus follows that restrictions on use of trademark of certain products or services based on the nature of it would inevitably end up affecting the registration if there is a provision preventing a mark that has been not used from staying registered. Aware of that logic, the Australian Government had to amend its law to separate the registration and the restriction on use of trademark on tobacco products.<sup>120</sup>

In the view of these considerations, the U.S. government should also be aware of the possible incompatibility between the Lanham Act and its international obligation in crafting the new plain packaging legislation. By

---

113. Cortez, *supra* note 18, at 1483.

114. R.J. Reynolds Tobacco Co. v. FDA, 696 F.3d 1205, 1222 (2012).

115. Cortez, *supra* note 14, at 1483.

116. *Id.* (citing Am. Snuff Co. v. United States, 2013 WL 1704718 (No. 12-521), 2013 WL 1209163, at \*17).

117. Gervais, *supra* note 11, at 9.

118. Gervais, *supra* note 12, at 101.

119. Gervais, *supra* note 11, at 33.

120. "The TPPA directs the Registrar of the Trade Marks not to reject, revoke, refuse to register or remove from the register a trademark that is not used because of the restriction on use contained in the legislation." Gervais, *supra* note 12, at 96, 101.

the logic explained above, the plain packaging measure typically restricts use of trademark just because a mark is used for tobacco products, and as a result of non-use because of the measure, the mark may be deemed to be abandoned under the Lanham Act.<sup>121</sup> If that happens, other WTO signatories would likely challenge it.

The U.S. Government, therefore, needs to amend the Lanham Act in ways that (1) restrictions on tobacco packaging does not lead to trademark owners' nonuse of their mark or (2) even if their marks sit unused on the register, the right holders should be able to keep their marks, not those being considered abandoned. If the measure imposed on tobacco products does not allow trademarks enough space to fulfill its duty, it should be subject to Article 20 scrutiny.<sup>122</sup>

Secondly, Article 8 requires an adopted measure to be "*necessary* to protect public health,"<sup>123</sup> and the means suggested to that end should be *consistent* with the TRIPS Agreement and *justified* under Article 20.<sup>124</sup> That is, the applicable tests here is that the government should satisfy both "justification" under Article 20 and "necessity" under Article 8, although the two tests and the notion of those two key terms often overlap.<sup>125</sup>

Public health measures may be adopted,<sup>126</sup> and the advancement of public health is a legitimate government interest.<sup>127</sup> With respect to its compliance with international obligations, however, governments would likely face the real burden of proof issue. WTO panels or the Appellate Body may consider a measure's necessity in light of its stated purpose and compatibility with the TRIPS Agreement.<sup>128</sup> Although the meaning of "necessary" may vary case by case,<sup>129</sup> the government would be better off

121. 15 U.S.C. §1127 (2013).

122. Gervais, *supra* note 11, at 32.

123. TRIPS, *supra* note 10, art. 8 (emphasis added).

124. Gervais, *supra* note 12, at 103.

125. Gervais, *supra* note 11, at 29.

126. Gervais, *supra* note 12, at 104.

127. See Panel Report, Thailand-Restrictions on Importation of and Internal Taxes on Cigarettes, *supra* note 74.

128. Frankel & Gervais, *supra* note 5, at 1204; see also United States—Measures Affecting the Production and Sale of Clove Cigarettes, ¶ 98, WT/DS406/ABR (Apr. 4, 2012) ("the burden of proof in respect of a particular provision of the covered agreements *cannot* be understood in isolation from the overarching logic of that provision, and the function which it is designed to serve.").

129. In *Thai Cigarettes*, the panel seems to require the least restrictive measure by concluding "the import restrictions imposed by Thailand could be considered to be 'necessary' in terms of Article XX(b) only if there were no alternative measure consistent with the General Agreement, or less inconsistent with it . . . ." Panel Report, Thailand-Restrictions on Importation of and Internal Taxes on Cigarettes, *supra* note 74, at ¶ 75. But see Appellate Body Report, Korea-Measures Affecting Imports of Fresh, Chilled And Frozen Beef, ¶161, WT/DS161/AB/R, WT/DS169/AB/R (Dec. 11, 2000). The Appellate Body concluded in *Korea-Beef* that:

drafting a new measure that could survive even the highest scrutiny in an international setting. And that should be indispensable means without reasonable alternative measures consistent with the Agreement in achieving its stated purpose.

As discussed above, however, if a measure specifically targets tobacco products and restricts the use of trademark on it only because of the nature of the product, it would likely be in violation of the TRIPS Agreement.<sup>130</sup> This is because a government's interest in public health and its power to adopt any measure that it deems appropriate do not always align with trade rules enshrined in the TRIPS Agreement. Therefore, the real challenge for a government is to demonstrate that the measure it adopted materially contributes to the achievement of the stated legitimate objective when challenged.<sup>131</sup>

In determining whether proposed rules materially contribute to the achievement of the legitimate governmental interest, the WTO panels take scientific evidence into their considerations,<sup>132</sup> and such available scientific evidence plays a crucial role in the decision-making process.<sup>133</sup> The U.S. Government thus must show that there is scientific evidence showing that (1) no reasonable alternative measures is available and (2) the effective of the measure adopted materially contribute to achieve the desired objectives can be scientifically proven.<sup>134</sup> In preparing evidence, the government should expect that the more serious an encumbrance, such as restrictions or prohibitions on using a trademark as here, the higher level of justification it is likely be required.<sup>135</sup> Thus it should be an uphill battle.

---

as used in the context of Article XX(d), the reach of the word 'necessary' is not limited to that which is "indispensable" or "of absolute necessity" or "inevitable." Measures which are indispensable or of absolute necessity or inevitable to secure compliance certainly fulfill the requirements of Article XX(d). But other measures, too, may fall within the ambit of this exception . . . . We consider that a "necessary" measure is, in this continuum, located significantly closer to the pole of "indispensable" than to the opposite pole of simply "making a contribution to."

*Id.*

130. Gervais, *supra* note 11, at 9.

131. Gervais, *supra* note 12, at 105.

132. *Id.*

133. Smith et al., *supra* note 1, at 22.

134. Gervais, *supra* note 12, at 105.

135. Gervais, *supra* note 11, at 25.

## 2. *Higher or Lower: The Standard of Review*

Both cases discussed above devoted considerable attention to which level of scrutiny is appropriate in dealing with FSPTCA. This is because the standard of review applied is crucial to the outcome, as was true in both cases.<sup>136</sup>

The *R.J. Reynolds* decision suggests several requirements for the government to have its plain packaging measure subject to less rigorous scrutiny.<sup>137</sup> The court first pointed out that the mandate should be “a remedial measure designed to counteract specific deceptive claims made by the Companies.”<sup>138</sup> Secondly, the graphic warnings should contain “purely factual and uncontroversial information.”<sup>139</sup>

Hence from the government’s standpoint, to be subject to lower level of scrutiny, the purpose of the new bill should be to correct any false or misleading statement made by cigarette manufacturers such as using representations about light or low tar products.<sup>140</sup> Evidence should be provided to show that absent the warnings, consumers would likely be deceived by the companies’ claims on their packaging.<sup>141</sup>

Alternatively, if the government fails to secure the lower level of scrutiny, it should be able to meet the *Central Hudson*’s third requirement, whether the means chosen is narrowly tailored to promote the legitimate state interest.<sup>142</sup> To satisfy that, the government should come forward with substantial evidence corroborating that “the graphic warning requirements ‘directly advance the governmental interest asserted’ to a ‘material degree.’”<sup>143</sup>

Although the *R.J. Reynolds* court found the chosen means in question overbroad, calling them “unabashed attempts,”<sup>144</sup> such a characterization

136. Cortez, *supra* note 18, at 1488.

137. *But see id.* (“The D.C. Circuit is somewhat of an outlier in applying *Zauderer* so narrowly. The First, Second, and now the Sixth Circuits have applied *Zauderer* when the state interest is something other than preventing consumer deception.”)

138. *R.J. Reynolds Tobacco Co. v. FDA*, 696 F.3d 1205, 1215 (2012).

139. *Id.* at 1216.

140. The *R.J. Reynolds* court’s suggestion that a new plain tobacco measure should purport to correct any false or misleading statement made by tobacco product manufacturers is consistent with the commercial speech jurisprudence. In *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, Justice Blackmun in his opinion that invented the contemporary category of commercial speech observed that ensuring “the proper allocation of resource in a free enterprise system” depends upon informed consumer choices. 425 U.S. 748, 763–64 (1976). To make an informed decision, conveying accurate information should be imperative.

141. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1216.

142. *Central Hudson Gas & Elec. Corp. v. Pub. Serv. Comm’n of N.Y.*, 447 U.S. 557, 566 (1980).

143. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1218.

144. *Id.* at 1217.

misses a crucial point. The government can seek to compel normative speech in very narrow circumstances, and FSPTCA would squarely fall within that narrow scope.<sup>145</sup> People tend to pay more attention to pictures than to text and thus text health warnings are hardly effective in drawing people's attention to the severe health concern tobacco products can cause.<sup>146</sup> Under such circumstance, a graphic warning should be considered a narrowly tailored means given the fact that pictorial images would more likely convey information, more effectively, regarding the severe health risk of smoking, thereby leading to a higher rate of cessation for current smokers and also preventing young people from taking up smoking in the first place.<sup>147</sup> Considering further the history of the tobacco companies that have been so eager to appeal to young people as evidenced by *R.J. Reynolds'* internal memos,<sup>148</sup> going beyond a text-only warning should not be deemed overbroad.

With respect to evidence demonstrating that the means directly advance the governmental interest, the way that evidence was handled in *R.J. Reynolds* was misguided. The timing was probably too premature for the court to conclude that there was evidence that plain packaging measures directly reduce smoking, since the *R.J. Reynolds* was decided almost immediately after Australia introduced its plain packaging measure. With scarce evidence available at the time, the *R.J. Reynolds* court simply labeled various evidence proffered by the FDA as "mere speculation" and "questionable social science," concluding that the FDA failed to satisfy its First Amendment burden.<sup>149</sup> Furthermore, the court, unsatisfied with the strength of the evidence and the dearth of data, held that such warnings "are not very effective at promoting cessation and discouraging initiation."<sup>150</sup>

By the court's reasoning, therefore, the government should convince the court that decrease in the smoking rate is directly attributable to the plain packaging alone. It should be a difficult argument for them to make, particularly considering that there should always be many variables that might attribute to decrease in tobacco consumption such as other

---

145. Keighley, *supra* note 104, at 586.

146. *Id.* at 588 (quoting Paul M. Fischer et al., Recall and Eye Tracking Study of Adolescents Viewing Tobacco Advertisements, 261 JAMA 84, 88 (1989) (finding that almost two-thirds of adolescents surveyed ignored the textual warnings or did not look at the warning for long enough to recall any words)).

147. *Id.* at 587.

148. *Disc. Tobacco City & Lottery, Inc. v. United States*, 674 F.3d 509, 545 (2012).

149. *R.J. Reynolds Tobacco Co. v. FDA*, 696 F.3d 1205, 1219 (2012).

150. *Id.* at 1220.

government mandated initiatives, as was the case in Canada.<sup>151</sup> However, given the fact that a number of studies have taken place to examine the real effect of TPPA since its introduction in 2012 and that indeed, there is scientific evidence showing its material contribution to the reduction of smoking, the time is ripe now. Furthermore, accepting scientific evidence in the highest legal authority in America would place the U.S. in harmony with the international trade agreements.

### 3. *Fact or Controversial Opinion?*

Each court in *Discount Tobacco* and *R.J. Reynolds* showed a strikingly different attitude toward whether the graphic tobacco warnings were factual or controversial opinion. The Sixth Circuit found that not only did the plaintiff tobacco manufacturers fail to show that the content of the warnings was in dispute, but also that the labels conveyed “the incontestable health consequences of using tobacco.”<sup>152</sup> On the other hand, the *R.J. Reynolds* court described the mandate as “compel[ling] a product’s manufacturer to convey the state’s *subjective*—and perhaps even *ideological*—view that consumers should reject this otherwise legal, but disfavored product.”<sup>153</sup>

However, as pointed out above, it is unclear as to whether the Sixth Circuit would also find the actual graphic warnings chosen by the FDA as describing only factually accurate consequence of smoking, since it was held before the actual graphic warnings were proposed. But the graphic warnings must only contain factually uncontroversial images with scientific evidence to back up. By doing so, since the content of textual warnings were not in dispute, it would likely survive even the *Central Hudson* standard. This is because the effectiveness or purpose of the graphic warnings, to shock or to create moral opprobrium, should not turn the factual text unconstitutional.<sup>154</sup> And it thus follows that the next reviewing court should apply the rational basis test articulated by *Zauderer*, since the warnings are still factual whether or not they accompany images, as long as images contain uncontroversial fact as well.<sup>155</sup>

---

151. *Id.* at 1219.

152. *Disc. Tobacco City & Lottery, Inc.*, 674 F.3d at 526–27.

153. *R.J. Reynolds Tobacco Co.*, 696 F.3d at 1212 [emphasis added].

154. Cortez, *supra* note 18, at 1493.

155. *Id.*

## VI. CONCLUSION

Tobacco, despite its severe harmful effects on health, is legal. However, notwithstanding its legal status, due to its alleged harmful effects to health, tobacco has been constantly the subject of regulations to reduce its consumption, and plain packaging measures are the latest solution suggested. As wildly as tobacco is consumed worldwide, plain packaging has been challenged by a number of giant tobacco companies and countries, sometimes even before the actual introduction of the measure. The legal issues implicated are located at the intersection of intellectual property rights, international trade rules, and the First Amendment.

Upon careful discussion above, plain packaging measures, making tobacco products look alike by allowing only limited choices in distinguishing them from other products, may be considered tantamount to the forfeiture of private right—trademark. Trademark owners invest a great deal of time and money on building reputation and goodwill which consumers associate with their product or service, and tobacco companies are no exception. Because it is morally condemnable that the tobacco industry has been using its packaging to even induce young people to start smoking, the government has an interest in protecting them. Still, it does not justify such a sweeping ban of trademark as plain packaging measures.

Tobacco's global scale of sales also necessarily invokes international trade obligations, in particular under the TRIPS Agreement. The spirit of international trade agreements is mostly free flow of transaction, but by restricting use of trademark, which is also protected under the TRIPS Agreement, plain packaging measures have caused numerous WTO challenges. More than 40 countries are challenging Australia's TPPA and, despite its first win recently, it is hard to predict the outcome of other cases at this point because the first challenge was not decided on the merits.

But careful analysis of the relevant provisions of the Agreement such as Article 15.4, 8, and 20, and pertinent precedents shed some light. Even before determining whether the measure in question can pass the justification test under Article 20 and the necessity test under Article 8, it is probable that the plain packaging measure would flatly violate Article 15.4. This is because by its nature, plain packaging only targets tobacco products—the very restriction that Article 15.4 purported to prevent. Even though tobacco trademark owners can register their marks, there is no point to do so if they are restricted from using them in commerce. Therefore, to avoid this issue, as Australia did, the U.S. Government



should consider amending the current Lanham Act so that non-use of trademark because of plain packaging measure does not result in abandonment. With regard to Article 8 and 20, given that public health is a legitimate concern, the challenged government must show that there was no reasonable, less trade-restrictive alternative that is consistent with the Agreement, and the means chosen materially contribute to the achievement of public health. Since the WTO panels take scientific evidence into consideration, the governments preparing to enact plain packaging measures would be better off conducting research to prove the effectiveness of those measures.

In the U.S., if a new bill was in the making, the government should prepare to overcome the *Central Hudson* standard, in case it fails to persuade the court that the new FSPTCA should only be subjected to the rational basis test. The biggest hurdle would be to prove that the measure in question directly advances the asserted state objective, but as Professor Gervais advised, the assessment of submitted scientific findings should be a matter for experts in the relevant fields. If the court sticks with its reasoning in *R.J. Reynolds*, simply brushing off evidence as “mere speculation,” will be a huge mountain to climb for the government.

*Sunil S. Gu* \*

---

\* Associate Editor, *Washington University Global Studies Law Review*; J.D. Candidate (2017), Washington University School of Law; LL.M. (2014), Vanderbilt Law School; LL.B. (2011), Inha University. The author would like to thank his wife, Heeseung, who would offer unwavering support along the way, son, Jiwoo, and amazing family for all of the strong encouragement throughout law school. He would also like to thank the editorial board and staff of the *Global Studies Law Review* for their invaluable comments and suggestions.